

Message Text

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PAGE 01 VIENNA 02835 041510Z

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

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FM AMEMBASSY VIENNA

TO SECSTATE WASHDC PRIORITY 5266

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E.O. 11652: N/A

TAGS: PFOR ENRG EINV EAID AU

SUBJECT: KREISKY REQUESTS AUTHORITY TO BORROW FROM ERP FUNDS

FOR ASSISTANT SECRETARY HARTMAN FROM BUCHANAN

1. DURING MY FIRST COURTESY CALL ON CHANCELLOR KREISKY AT NOON YESTERDAY, HE SPOKE WITH CONSIDERABLE CONCERN OF THE BEGINNING OF A RECESSION IN AUSTRIA. HE SAID THAT ONE OF THEIR COAL MINES, WHICH HAD BEEN A KEY SOURCE OF ENERGY HAD TO BE CLOSED DOWN AND IT WAS VITAL THAT ANOTHER MINE BE DEVELOPED AS SOON AS POSSIBLE.

2. KREISKY STATED THAT HE WOULD LIKE TO BORROW FIFTY MILLION SCHILLINGS A YEAR FROM THE MARSHALL PLAN FUND (ERP) FOR A PERIOD OF FIVE YEARS, IF WE WISHED TO PUT THAT LIMIT ON THE ARRANGEMENT. HE STATED THAT IF HE BORROWED MONEY ELSEWHERE HE WOULD HAVE TO PAY AT LEAST TEN PER CENT INTEREST, WHILE ERP INTEREST WAS ONLY FIVE PER CENT. KREISKY SAID THAT THE FIFTY MILLION SCHILLINGS WOULD BE USED TO OPEN A NEW MINE WHICH WOULD SUPPLY ENERGY FOR A POWER STATION. HE

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EMPHASIZED THE IMPORTANCE OF GETTING MONEY INTO

CIRCULATION AT THE BEGINNING OF A RECESSION SUCH AS THEY HAVE HERE NOW AND HE HOPPD THAT EARLY FAVORABLE ACTION COULD BE TAKEN ON THE FIFTY MILLION SCHILLING LOAN REQUEST. HE AGAIN EMPHASIZED THE URGENCY OF OPENING A NEW COAL MINE TO PROVIDE ADEQUATE POWER FOR AUSTRIA.

3. KREISKY EXPRESSED THE BELIEF THAT AS MUCH AS ONE BILLION SCHILLINGS MAY BE NEEDED OVER THE NEXT FEW YEARS TO PREVENT ANY SERIOUS RECESSION.

COMMENT: WE ARE LOOKING INTO THE BACKGROUND OF KREISKY'S SOMEWHAT SURPRISING REQUEST AND, AFTER TALKING TO APPROPRIATE GOA EXPERTS, WILL COME IN WITH DETAILED CABLE ON SUBJECT WITH EMBASSY ASSESSMENT. BUCHANAN

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Margaret P. Grafeld
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